

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 PM-04 H-02 L-03 PA-02 PRS-01 /114 W

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R 100830Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6812

DEPARTMENT OF TREASURY WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

UNCLAS TOKYO 2025

PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF FEB 4-10

1. SUMMARY: DECLINES IN NEW CAR REGISTRATIONS AND PUBLIC AND PRIVATE CONSTRUCTION ORDERS GIVE FURTHER INDICATION THAT JAPAN'S RECOVERY HAS SLOWED TO A CRAWL. HIGH UNEMPLOYMENT CONTINUES AND UNIT LABOR COSTS ARE RISING. LOW LEVEL OF NEW PRIVATE MACHINERY ORDERS, WHICH IS REGARDED AS LEADING INDICATOR OF ECONOMIC MOVEMENTS, GIVESHHTTLE ENCOURAGEMENT THAT PACE OF RECOVERY WILL PICK UP SOON. THIS WEEK'S FINANCIAL AND ECONOMIC DEVELOPMENTS BEING TRANSMITTED ONE DAY EARLY AS FEB 11 IS JAPANESE NATIONAL HOLIDAY. END SUMMARY.

2. NEW PRIVATE MACHINERY ORDERS ROSE SLIGHTLY IN DEC.

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HOWEVER, FOURTH QUARTER TOTAL (SA) WAS LOWEST OF YEAR

AND 24.3 PERCENT BELOW YEAR EARLIER FIGURE. DESPITE 4.1 PERCENT RISE IN DEC, PREVAILING GLOOMY ATTITUDES OF JAPANESE BUSINESSMEN INDICATE PRIVATE ORDERS FOR MACHINERY EXCLUDING SHIPS (JEI 337) ARE LIKELY TO REMAIN WELL BELOW 300 BILL YEN MONTHLY AVERAGE RECORDED IN 1973 BOOM FOR MANY MONTHS TO COME. THIS SUGGESTS THAT PRIVATE EQUIPMENT INVESTMENT WILL REMAIN DEPRESSED.

	(BIL YEN)	(PCT CHANGE FROM PRIOR MONTH)
OCT	202.8	- 8.8
NOV	167.9	-17.2
DEC	174.8	4.1

3. NEW ORDERS FOR CONSTRUCTION DECLINED IN DEC. NEW ORDERS FOR GOVT/PUBLIC CONSTRUCTION WORK (JEI 324) FELL 8.0 PERCENT FROM NOV (SA) 33; NEVERTHELESS THE FOURTH QUARTER AS A WHOLE WAS THE HIGHEST OF 1975 AND ONLY SLIGHTLY BELOW FINAL QUARTER OF 1974. PRIVATE CONSTRUCTION ORDERS (JEI 1325) DECLINED 4.6 PERCENT (SA) FROM PRIOR MONTH, AND FOURTH QUARTER TOTAL FOR PRIVATE CONSTRUCTION ORDERS WAS 10 PERCENT BELOW QUARTERLY AVERAGE FOR 1975. THIS REFLECTS RECESSION IN NEW PLANT CONSTRUCTION, WHILE PUBLIC CONSTRUCTION HAS BEEN BUOYED UP BY THE GOJ'S PHASE I-IV RECOVERY MEASURES.

NEW CONSTRUCTION ORDERS SEASONALLY ADJUSTED
(ALL YEN; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

	GOVT/PUBLIC	PRIVATE
OCT	198.5 (-12.5)	212.3 (-20.3)
NOV	238.5 (20.2)	232.5 (9.5)
DEC	219.5 (-8.0)	221.7 (-4.6)

4. AUTO REGISTRATIONS DECLINED 6.2 PERCENT IN JAN ON SEASONALLY ADJUSTED BASIS. SECOND CONSECUTIVE MONTHLY DECLINE BROUGHT TOTAL PASSENGER CAR REGISTRATIONS DOWN TO 175,000 PER MONTH. THAT IS MORE THAN 20 PERCENT BELOW LEVELS RECORDED A YEAR AGO AND UNCOMFORTABLY CLOSE TO 150-160 THOUSAND PER MONTH LEVELS RECORDED DURING OIL-EMBARGO PERIOD OF EARLY 1974. RECENT DECLINES MAY BE MERELY REACTION TO ADVANCE PURCHASES IN PREVIOUS MONTHS BEFORE PRICE INCREASES WENT INTO EFFECT.

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	UNADJUSTED (1,000 CARS)	SEASONALLY ADJUSTED (1,000 CARS)	PCT CH FROM PRIOR MONTH
NOV	246.7	241.6	2.2
DEC	235.6	188.1	-22.1
JAN	117.0	176.5	-6.2

5. LABOR MARKET CONDITIONS SHOWED LITTLE IMPROVEMENT IN

DEC. UNEMPLOYMENT RATE (JEI 379) DIPPED SLIGHTLY ON SEASONALLY ADJUSTED BASIS, YET THE NUMBER OF WHOLLY UNEMPLOYED PERSONS (JEI 378) ROSE TO 1,170,000 ON SEASONALLY ADJUSTED BASIS, AND RATIO OF JOB OFFERS TO, APPLICANTS REMAINED UNCHANGED FROM NOV LEVEL. (NOTE PRIME MINISTER'S OFFICE USES DIFFERENT SEASONAL ADJUSTMENT FACTORS FROM EPA. DEC UNEMPLOYMENT RATE, AS REPORTED BY PRIME MINISTER'S OFFICE WAS 2.15 PERCENT AND IS OFTEN CITED BY THE PRESS.)

	JOB OFFERS JOB	UNEMPLOYED, S.A	
	APPLICANTS' RATIO, SA (1,000)	(RATE)	
OCT	0.53	1,160	2.22
NOV.	0.52	1,160	2.21
DEC	0.52	1.170	2.19

6. DEC INDEX OF OVERTIME IN MANUFACTURING (JEI 401) REGISTERED SEVENTH CONSECUTIVE MONTHLY INCREASE ON S.A. BASIS. THE 3.4 PERCENT RISE FROM PRIOR MONTH LEVEL WAS LARGEST SINCE JULY AND BROUGHT INDEX ABOVE YEAR EARLIER LEVEL FOR FIRST TIME SINCE DOWNTURN BEGAN IN NOV 1973. ON OTHER HAND, UNIT LABOR COST (JEI 421) CONTINUES TO RISE AS WAGES HAVE INCREASED WHILE PRODUCTION HAS STAGNATED. AFTER DECLINING IN SECOND QUARTER WHEN INDUSTRIAL OUTPUT PICKED UP QUICKLY, UNIT LABOR COSTS INCREASED 8.6 PERCENT IN SECOND HALF OF 1975.

OVERTIME IN MANUFACTURING AND UNIT LABOR COST, S.A.
(1970-100; PCT CH FROM PRIOR MO IN PARENT)

OCT	51.6 (1.0)	191.3 (0.6)
NOV	52.5 (1.7)	16.5 (2.7)
DEC	54.3 (3.4)	198.4 (1.0)

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